



ALFRED NZO

DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Consolidated financial statements
for the year ended 30 June 2016

**AUDITOR - GENERAL
SOUTH AFRICA**

09 DEC 2016

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

General Information

Country of incorporation and domicile

South Africa

Mayoral committee

Executive Mayor

OUT GOING COUNCILLORS:

N Diko

S Mehlokhulu (Deputy Executive Mayor)

S Sello (Speaker)

B N Tobo (Chief Whip)

P B Mabengu

B B Maningi

Z Busuku

Z Lwana

M M Gqola

V N S Mdingazwe

P Nyangana

P Simramza (MPAC Chair)

D Lugayeni

B S Mbewu

N Voyi

N Boo

A Ngconjana

N S Pikwa

S K Mnukwa

T A Mambi

F N Ngonyolo

A Z Gwebani

V C Sigalelana

J Munyu

N B Nkomo

V C Sigalelana

S B Macuphe

N E Kotelana

Z Mhlwazi

T H Kango

B Matshoba

P Mfingwana

A Mbizafa

U G Makanda

N N Mhlembana

T Maphasa

M M Mpepanduku

IN COMING COUNCILLORS

B L Mzikhulu

S Mehlokhulu

P T Sobuthongo

N N Ngoko

S A Tobo

S A Sello

K S Phangwa

M M Twabu

N Nkula

Councillors

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General Information

S Kulu
K J Magangana
N Msokana
T P Mtjope
P N Mankahla
V Ngesi
N T Langa
N L Ndamase
M Makhandaniso
B Betwayo
M Mdolo
E Voko
Z Mhlwazi
N Bongwana
L G Mcambalala
F Mbuyelwa
N F Sobazile
L Sabuka
A M Specman
P A Mohale
N B Nkomo
W P Leballo
C L Nxesi
N Njobe
W B Potwana
L S Maqhashalala
L L Nqatsha
H N Dandala
S A N Cekeshe
S S Dangisa
F P Sontsi

Grading of local authority

Grade 4

Accounting Officer

Z H Sikhundla

Acting Chief Finance Officer (CFO)

N Mngomezulu

Registered office

Erf 1400
Ntsizwa Street
4735

Business address

Erf 1400
Ntsizwa Street
4735

Postal address

P O Box X511
Mount Ayliff
4735

Controlling entity

Alfred Nzo District Municipality

Bankers

First National Bank

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General Information

Auditors

Auditor General SA

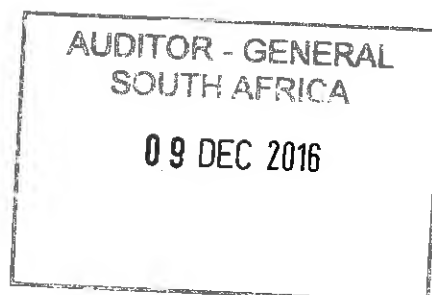
Alfred Nzo Developmnt Agency - Management

Chief Executive Officer - Ingonyama T Diko

Chief Finance Officer - Lita Bam

Business address

Erf 1400
Ntsizwa Street
Mount Ayliff
4735



Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ASB	Accounting Standards Board

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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated financial statements and was given unrestricted access to all financial records and related data.

The consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or municipality in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or municipality.

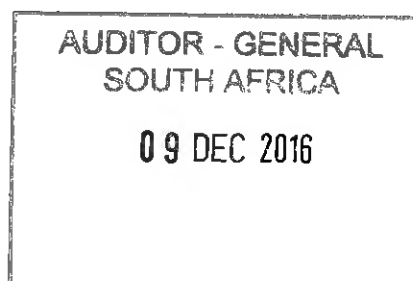
The municipality is largely dependent on the government for continued funding of operations. The consolidated financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are reviewed by the municipality's audit committee.

The audit committee is responsible for independently reviewing and reporting on the municipality's consolidated financial statements.

The consolidated financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, and will be tabled on the next council meeting for noting:

Accounting Officer - Z H Sikhundla



Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The Accounting Officer submit his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the economic entity is R 382,552,682,- (2015: surplus R 325,315,307 -) .

Other comment

2. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Staff members affiliated to the South African Municipal Workers Union (SAMWU) engaged in an unprotected strike for a period of two weeks from 24 June 2016 till 8 July 2016.

During this period there was total shutdown of the municipality.

Municipal elections that were held on the 3rd of August 2016 saw the dislvement of the old council and an establishment of the new council. The names of the new council members are in the general information page.

4. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

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Consolidated Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Assets					
Current Assets					
Inventories	8	5,792,979	5,949,843	5,792,979	5,949,843
Investments	7	-	52,795,675	-	52,795,675
Receivables from exchange transactions	9	30,827,226	29,608,270	30,724,053	29,520,780
Receivables from non-exchange transactions	10	1,078,737	1,112,175	1,078,737	1,112,175
VAT receivable	11	6,172,002	34,482,052	6,172,002	34,482,052
Cash and cash equivalents	12	37,288,540	76,041,531	36,375,313	73,822,209
		81,159,484	199,989,546	80,143,084	197,682,734
Non-Current Assets					
Property, plant and equipment	3	2,814,626,633	2,359,565,943	2,812,293,995	2,357,014,468
Intangible assets	4	3,269,282	3,675,238	3,117,620	3,460,110
Heritage assets	5	131,100	131,100	131,100	131,100
Investments in controlled entities		-	-	100	100
Long Term Receivables	6	115,463	76,783	115,463	76,783
Investments	7	39,788,091	36,284,293	39,788,091	36,284,293
		2,857,930,569	2,399,733,357	2,855,446,369	2,396,966,854
Non-Current Assets		2,857,930,569	2,399,733,357	2,855,446,369	2,396,966,854
Current Assets		81,159,484	199,989,546	80,143,084	197,682,734
Total Assets		2,939,090,053	2,599,722,903	2,935,589,453	2,594,649,588
Liabilities					
Current Liabilities					
Finance lease obligation	13	10,585,841	6,661,775	10,585,841	6,661,775
Payables from exchange transactions	18	157,261,285	202,493,823	150,277,711	199,910,323
VAT payable		4,352,401	2,524,402	-	-
Unspent conditional grants and receipts	14	8,599,110	5,720,069	8,533,610	5,720,069
Provisions	15	1,389,405	752,728	1,389,405	752,728
Current portion of long term loan	16	839,564	789,840	839,564	789,840
Payables from non exchange transactions	17	1,133,608	2,020,231	1,133,608	2,020,231
Bank overdraft	12	28,308	-	-	-
		184,189,522	220,962,868	172,759,739	215,854,966
Non-Current Liabilities					
Finance lease obligation	13	5,750,980	10,699,497	5,750,980	10,699,497
Provisions	15	5,895,707	5,956,482	5,895,707	5,956,482
Long term loan	16	8,070,300	8,661,975	8,070,300	8,661,975
		19,716,987	25,317,954	19,716,987	25,317,954
Non-Current Liabilities		19,716,987	25,317,954	19,716,987	25,317,954
Current Liabilities		184,189,522	220,962,868	172,759,739	215,854,966
Total Liabilities		203,906,509	246,280,822	192,476,726	241,172,920
Assets		2,939,090,053	2,599,722,903	2,935,589,453	2,594,649,588
Liabilities		(203,906,509)	(246,280,822)	(192,476,726)	(241,172,920)
Net Assets		2,735,183,544	2,353,442,081	2,743,112,727	2,353,476,668

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* See Note 42

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Statement of Financial Position as at 30 June 2016

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2016	2015 Restated*	2016	2015 Restated*
Reserves					
Government Grant Reserve		1,517,942,029	1,517,942,029	1,517,942,029	1,517,942,029
Accumulated surplus		1,217,241,515	835,500,052	1,225,170,698	835,534,639
Total Net Assets		2,735,183,544	2,353,442,081	2,743,112,727	2,353,476,668

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* See Note 42

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Consolidated Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	21	25,668,244	26,207,213	15,831,924	18,766,504
Imputed Interest on service charges		-	-	9,836,961	7,440,709
Rental of facilities and equipment	34	233,981	183,728	233,981	183,728
Agency services		19,915	31,184	19,915	31,184
Other income	24	3,226,863	3,143,988	3,207,942	3,131,313
Interest received - investment	30	11,924,182	19,906,623	11,871,083	19,718,924
Total revenue from exchange transactions		41,073,185	49,472,736	41,001,806	49,272,362
Revenue from non-exchange transactions					
Transfer revenue					
Government grants and subsidies	22	902,768,510	819,973,068	902,768,510	819,973,068
Public contributions and donations	23	1,430,028	-	1,430,028	-
Total revenue from non-exchange transactions		904,198,538	819,973,068	904,198,538	819,973,068
		41,073,185	49,472,736	41,001,806	49,272,362
		904,198,538	819,973,068	904,198,538	819,973,068
Total revenue	20	945,271,723	869,445,804	945,200,344	869,245,430
Expenditure					
General Expenses	25	134,111,738	121,583,799	119,100,778	108,698,738
Employee related costs	26	206,419,400	192,151,767	198,473,196	186,460,926
Remuneration of councillors	27	8,687,645	8,606,675	8,687,645	8,606,675
Litigation expenditure	28	14,071,138	1,441,466	14,071,138	1,441,466
Debt Impairment	29	22,128,617	8,889,417	22,128,617	8,889,417
Depreciation and amortisation	31	59,311,850	57,000,011	58,862,137	56,619,902
Finance costs	32	6,687,985	2,259,885	6,529,442	2,063,886
Lease rentals on operating lease		69,364	-	-	-
Repairs and maintenance		43,043,995	34,684,536	42,865,055	34,471,287
Bulk purchases	37	5,349,607	4,077,989	5,349,607	4,077,989
Contracted services	35	31,033,569	32,352,842	31,033,569	32,352,842
Transfers and Subsidies	36	23,799,540	75,144,299	43,906,230	91,707,596
Project expenses		4,482,889	5,744,958	-	-
Total expenditure		559,197,337	543,937,644	551,007,414	535,390,724
Gain / (Loss) on disposal of assets		(4,379,276)	(337,213)	(4,408,099)	(337,213)
Actuarial gains/losses		67,314	3,468,649	67,314	3,468,649
		(4,311,962)	3,131,436	(4,340,785)	3,131,436
Surplus before taxation		382,529,376	325,347,787	389,852,004	336,986,142
Taxation		-	-	-	-
Surplus for the year		382,529,376	325,347,787	389,852,004	336,986,142

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* See Note 42

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Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Economic entity			
Balance at 01 July 2014	1,517,942,029	506,860,456	2,024,802,485
Changes in net assets			
Surplus for the year	-	328,639,596	328,639,596
Total changes	-	328,639,596	328,639,596
Restated* Balance at 01 July 2015	1,517,942,029	835,500,052	2,353,442,081
Changes in net assets			
Prior period adjustment	-	194,984	194,984
Net income (losses) recognised directly in net assets	-	194,984	194,984
Surplus for the year	-	381,762,424	381,762,424
Total recognised income and expenses for the year	-	381,957,408	381,957,408
Total changes	-	381,957,408	381,957,408
Balance at 30 June 2016	1,517,942,029	1,217,457,460	2,735,399,489
Note(s)			
Controlling entity			
Opening balance as previously reported	1,517,942,029	498,548,497	2,016,490,526
Balance at 01 July 2014 as restated*	1,517,942,029	498,548,497	2,016,490,526
Changes in net assets			
Surplus for the year	-	336,986,142	336,986,142
Total changes	-	336,986,142	336,986,142
Restated* Balance at 01 July 2015	1,517,942,029	835,318,694	2,353,260,723
Changes in net assets			
Surplus for the year	-	389,852,004	389,852,004
Total changes	-	389,852,004	389,852,004
Balance at 30 June 2016	1,517,942,029	1,225,170,698	2,743,112,727
Note(s)			

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* See Note 42

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Consolidated Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts		35,705,431	(23,511,754)	35,705,431	(23,511,754)
Interest Income		11,924,182	19,906,623	11,871,083	19,718,924
Government Grants and Services		905,582,051	816,174,517	905,582,051	816,174,517
		953,211,664	812,569,386	953,158,565	812,381,687
Payments					
Employee costs		(214,531,143)	(207,788,624)	(206,584,939)	(202,097,783)
Suppliers		(306,862,743)	(174,868,354)	(313,513,119)	(178,591,720)
Finance costs		(158,543)	(195,999)	-	-
		(521,552,429)	(382,852,977)	(520,098,058)	(380,689,503)
Total receipts		953,211,664	812,569,386	953,158,565	812,381,687
Total payments		(521,552,429)	(382,852,977)	(520,098,058)	(380,689,503)
Net cash flows from operating activities	38	431,659,235	429,716,409	433,060,507	431,692,184
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(510,501,842)	(506,818,711)	(510,349,333)	(504,297,976)
Proceeds from sale of assets	3	65,039	8,717	-	-
(Increase) /Decrease in Long term receivables		-	-	-	154,063
Purchase of other intangible assets	4	(279,010)	(2,197,976)	(253,437)	(2,031,304)
(Increase) /Decrease in Investments		49,291,877	34,847,628	49,291,877	34,847,628
Operating lease asset		-	-	-	1,029
Net cash flows from investing activities		(461,423,936)	(474,005,250)	(461,310,893)	(471,326,560)
Cash flows from financing activities					
Repayment of other financial liabilities		(541,951)	(19,452,088)	(541,951)	(19,452,088)
Movement in operating lease liability		-	(38,211)	-	(38,211)
Net finance lease liability (repaid)		(8,654,559)	(1,655,572)	(8,654,559)	(1,655,572)
Other cash item		194,952	-	-	-
Net cash flows from financing activities		(9,001,558)	(21,145,871)	(9,196,510)	(21,145,871)
Net increase/(decrease) in cash and cash equivalents		(38,781,298)	(65,434,712)	(37,446,896)	(60,780,246)
Cash and cash equivalents at the beginning of the year		76,041,532	141,476,243	73,822,209	134,602,455
Cash and cash equivalents at the end of the year	12	37,260,234	76,041,531	36,375,313	73,822,209

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* See Note 42

Aifred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference
Figures in Rand						
<div style="border: 1px solid black; padding: 5px; text-align: center;"> AUDITOR - GENERAL SOUTH AFRICA 09 DEC 2016 </div>						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	34,151,000	(11,100,000)	23,051,000	25,668,244	2,617,244	l)
Rental of facilities and equipment	354,114	(7,000)	347,114	233,981	(113,133)	
Agency services	30,000	10,000	40,000	19,915	(20,085)	
Internal funding	2,000,000	-	2,000,000	-	(2,000,000))
Interest received	250,000	70,000	320,000	53,099	(266,901)	C)
Other income	1,780,000	(257,000)	1,523,000	3,005,199	1,482,199	n)
Interest received - investment	37,000,000	(24,800,000)	12,200,000	11,871,083	(328,917)	o)
Total revenue from exchange transactions	75,565,114	(36,084,000)	39,481,114	40,851,521	1,370,407	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	1,160,010,030	53,382,459	1,213,392,489	922,875,200	(290,517,289)	k/D)
Public contributions and donations	-	-	-	1,430,028	1,430,028	
Total revenue from non-exchange transactions	1,160,010,030	53,382,459	1,213,392,489	924,305,228	(289,087,261)	
Total revenue from exchange transactions'	75,565,114	(36,084,000)	39,481,114	40,851,521	1,370,407	
Total revenue from non-exchange transactions'	1,160,010,030	53,382,459	1,213,392,489	924,305,228	(289,087,261)	
Total revenue	1,235,575,144	17,298,459	1,252,873,603	965,156,749	(287,716,854)	
Expenditure						
Employee Cost	(195,321,763)	(9,167,565)	(204,489,328)	(198,473,196)	6,016,132	r)
Remuneration of councillors	(9,000,637)	-	(9,000,637)	(8,687,645)	312,992	r)
Litigation expenditure	-	-	-	(14,071,138)	(14,071,138)	a)
Personnel	(8,057,177)	-	(8,057,177)	(7,946,204)	110,973	E)
Depreciation and amortisation	(52,500,000)	10,000,000	(42,500,000)	(58,862,137)	(16,362,137)	b)
Transfer payments - Other	-	-	-	(4,482,889)	(4,482,889)	F)
Finance costs	(1,140,000)	-	(1,140,000)	(6,687,985)	(5,547,985)	c/l)
Impairment loss/ Reversal of impairment	-	-	-	25,514	25,514	H)
Debt impairment	(15,000,000)	-	(15,000,000)	(22,128,617)	(7,128,617)	d)
Lease rentals on operating lease	-	-	-	(69,364)	(69,364)	J)
Repairs and maintenance	(41,224,387)	5,455,536	(35,768,851)	(43,043,995)	(7,275,144)	e)
Bulk purchases	(3,500,000)	(654,438)	(4,154,438)	(5,349,607)	(1,195,169)	f/K)
Contracted Services	-	-	-	31,033,569	31,033,569	
Transfers and Subsidies	(15,000,000)	(2,000,000)	(17,000,000)	(43,906,230)	(26,906,230)	h)
General Expenses	(166,959,846)	(105,871,399)	(272,831,245)	(134,111,739)	138,719,506	s/L)
Total expenditure	(492,803,810)	(87,266,104)	(609,941,676)	(516,761,663)	93,180,013	

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus	742,771,334	(69,967,645)	672,803,689	456,460,709	(216,342,980)	
Loss on disposal of assets and liabilities	-	-	-	(4,379,276)	(4,379,276)	
Actual gains / losses	-	-	-	67,314	67,314	
Surplus before Capex	-	-	-	-	-	
Surplus before capex	744,771,334	(69,967,645)	674,803,689	452,148,747	(222,654,942)	
Capex	723,401,033	(88,189,175)	635,211,858	515,403,866	(119,807,992)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21,370,301	18,221,530	39,591,831	(63,255,119)	(102,846,950)	

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Controlling entity

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	34,151,000	(11,100,000)	23,051,000	25,668,244	2,617,244	l)
Rental of facilities and equipment	354,114	(7,000)	347,114	233,981	(113,133)	j)
Agency services	30,000	10,000	40,000	19,915	(20,085)	i)
Other Income	1,680,000	(357,000)	1,323,000	3,208,442	1,885,442	n)
Interest received - investment	37,000,000	(24,800,000)	12,200,000	11,871,083	(328,917)	o)
Total revenue from exchange transactions	73,215,114	(36,254,000)	36,961,114	41,001,665	4,040,551	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	1,145,010,030	50,310,934	1,195,320,964	902,768,510	(292,552,454)	k)
Public contributions and donations	-	-	-	1,430,028	1,430,028	m)

Total revenue from non-exchange transactions	1,145,010,030	50,310,934	1,195,320,964	904,198,538	(291,122,426)	
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Total revenue from exchange transactions'	73,215,114	(36,254,000)	36,961,114	41,001,665	4,040,551	p)
Total revenue from non-exchange transactions'	1,145,010,030	50,310,934	1,195,320,964	904,198,538	(291,122,426)	q)
Total revenue	1,218,225,144	14,056,934	1,232,282,078	945,200,203	(287,081,875)	

Expenditure

Employee Cost	(195,321,763)	(9,167,565)	(204,489,328)	(198,473,196)	6,016,132	r)
Remuneration of councillors	(9,000,637)	-	(9,000,637)	(8,687,645)	312,992	r)
Administration	-	-	-	(14,071,138)	(14,071,138)	a)
Depreciation and amortisation	(52,500,000)	10,000,000	(42,500,000)	(58,661,354)	(16,161,354)	b)
Finance costs	(1,140,000)	-	(1,140,000)	(6,529,442)	(5,389,442)	c)
Debt Impairment	(15,000,000)	-	(15,000,000)	(22,128,617)	(7,128,617)	d)
Repairs and maintenance	(41,181,984)	5,455,536	(35,726,448)	(42,865,055)	(7,138,607)	e)
Bulk purchases	(3,500,000)	(654,438)	(4,154,438)	(5,349,607)	(1,195,169)	f)

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contracted Services	-	-	-	31,033,569	31,033,569	
Transfers and Subsidies	(15,000,000)	(2,000,000)	(17,000,000)	(43,906,230)	(26,906,230)	h)
General Expenses	(162,187,664)	(105,871,399)	(268,059,063)	(119,100,779)	148,958,284	s)
Total expenditure	(494,832,048)	(102,237,866)	(597,069,914)	(488,739,494)	108,330,420	
	-	-	-	-	-	
Operating surplus / (deficit)	723,401,096	(88,180,932)	632,212,164	394,192,788	(241,019,376)	
Loss on disposal of assets and liabilities	-	-	-	(4,408,099)	(4,408,099)	
Actuarial gains/losses	-	-	-	67,314	67,314	
	-	-	-	(4,340,785)	(4,340,785)	
	-	-	-	-	-	
Surplus before Capex	723,401,096	(88,180,932)	635,212,164	389,852,003	(245,360,161)	
Capex	723,401,033	(88,189,175)	635,211,858	515,403,866	(119,807,992)	g)
Surplus / (Deficit) for the year from continuing operations	63	128,801	305	(125,551,863)	(125,560,169)	

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Consolidated Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

- a) Litigation expenditure - The variance is caused by the service provider whose contract was illegally terminated, a court order was issued that ANDM should pay the service provider the contract amount and the legal fees in full..
- b) Depreciation -this is attributed to the increase in the municipal infrastructure assets and leased motor vehicles acquired during the current year.
- c) Finance cost - The increase was due to the new lease motor vehicles acquired during the current year.
- d) Debt impairment - The municipality inherited debts from OR Tambo District Municipality during the demarcation process and ANDM has a challenge because most customers are demanding that ANDM should bill them as from the date it started operating and exclude the OR Tambo debts.(Debt acknowledgement issue).
- e)Repairs and Maintenance - The variance is caused by the new leased motor vehicles aquired during the current year.
- f) Bulk Purchases - Drought caused the shortage of water as a result the municipality has to also purchase water externally
- g) Capex - The variance was to the fact that some of the projects were implimented at a later stage because of the municipality strike which caused a total shut down of the municipality for a period of more than two weeks.
- h)Transfers and subsidies - the agency requested more funding and the district felt that the agency desperately needs extra funding to properly function.
- j) Rental of Facilities -This is due to lower demand for municipal facilities
- k) Government Grants - due to schedule 6(b) wherein the municipality get portion of th grant.
- i) Service Charges - Installation of prepaid meters and implementation of the revenue enhancement strategy.
- m) Public contributions & Donations - Donation received from Swedish for Mayoral Visit.
- n) Other Income - this is due to the increase in the price of tender documents.
- o) Interest received investment - Due to declining interest rate the municipality did not receive the amount projected.
- p) Total revenue from exchange transactions - Installation of prepaid meters and implementaion of the revenue enhancement strategy.
- q) Total revenue from non exchange transactions - Due to schedule 6(b) wherein the municipality gets a portion of the grant not full portion.
- r) Employee cost - Not all posts were filled during the 15/16 financial.
- s) General expenses - Not all projects were implemented during the current year due to the disruption of unprotected strike that was embarked by the union.
- NOTE: The budget for the litigation expenditure fees and contracted services are budgeted under general expenditure**

- C - The drop in interest is due to loss of interest due to the delay in the transfer of grant transfers from the District Municipality. The large variance is due to the revision of the original approved budget from R250,000 to R320,000
- D - The difference is due to the additional unbudgeted income form the Municipality. E - The cumulative effect of the paragraphs above.
- F - The difference in personnel costs due to the vacant Executive Manager budgeted position.
- G - The have been no right offs in the current financial year.
- H - Management had not budgeted for the impairment of long-outstanding debtors which were impaired in the current year.
- I - These are due to interest on unplanned overdrafts due to delays in the receipt of grant funding and hence debit orders pushing the bank account to be overdrawn.
- J - The Fort Donald leasing arrangement had not yet been Anticipated when the budget was prepared.
- K - The drop in general expenditure is due to the shift of Spending from operations in favour of capital expenditure. L - The deficit is due to expenditure on income carried over from the prior year that was not budgeted for.
- M - The gain on disposal of assets arose from fully depreciated assets that were lost during the year and insurance proceeds were received for them.

AUDITOR - GENERAL
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

1.1 Going concern assumption

These consolidated financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or municipality to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or municipality.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or municipality in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5-30
Improvements	3-15
Plant and machinery	3-15
Furniture and fixtures	5-10
Motor vehicles	5-10
Office equipment	5-10
Infrastructure	3-100
Community	20-30
Other property, plant and equipment	2-15

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or municipality unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or municipality when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or municipality when the asset is derecognised.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the consolidated financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or municipality to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or municipality.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or municipality. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or municipality when the heritage asset is derecognised.

1.5 Investments in controlled entities

Controlling entity consolidated financial statements

In the entity's separate consolidated financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest in another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unlisted Investments	Financial asset measured at amortised cost
Investments in Fixed Deposit	Financial asset measured at amortised cost
Long Term Receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents - Notice Deposits	Financial asset measured at amortised cost
Cash and cash equivalents - Call Deposits	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or municipality.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or municipality when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or municipality.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or municipality.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Alfred Nzo District Municipality

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Accounting Policies

1.6 Financial Instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or municipality in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or municipality.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or municipality. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Alfred Nzo District Municipality

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Accounting Policies

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.12 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Alfred Nzo District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Alfred Nzo District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Alfred Nzo District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or municipality.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or municipality, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Alfred Nzo District Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or municipality, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer. The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.21 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Accounting Policies

1.24 Budget information (continued)

The consolidated financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Conditional grant and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is set out in note 2 changes in accounting policy
• GRAP108: Statutory Receivables	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the economic entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the economic entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

2. New standards and interpretations (continued)

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 consolidated financial statements.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand

3. Property, plant and equipment

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	57,412,615	(18,559,897)	38,852,718	57,412,615	(16,675,669)	40,736,946
Motor vehicles	35,705,669	(3,151,573)	32,554,096	24,768,859	(398,797)	24,370,062
Infrastructure	1,722,338,213	(269,674,932)	1,452,663,281	1,622,428,315	(221,981,382)	1,400,446,933
Other property, plant and equipment	43,513,203	(15,103,138)	28,410,065	46,828,715	(13,590,678)	33,238,037
Assets under construction	1,261,783,472	-	1,261,783,472	860,773,965	-	860,773,965
Total	3,120,753,172	(306,489,540)	2,814,263,632	2,612,212,469	(252,646,526)	2,359,565,943

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	55,686,623	(18,502,364)	37,184,259	55,686,623	(16,675,669)	39,010,954
Motor vehicles	35,411,043	(3,048,737)	32,362,306	24,474,233	(354,886)	24,119,347
Infrastructure	1,722,338,213	(269,674,932)	1,452,663,281	1,622,428,315	(221,981,382)	1,400,446,933
Other property, plant and equipment	42,361,167	(14,423,491)	27,937,676	45,756,497	(13,093,228)	32,663,269
Assets Under Construction	1,261,783,472	-	1,261,783,472	860,773,965	-	860,773,965
Total	3,117,580,518	(305,649,524)	2,811,930,994	2,609,119,633	(252,105,165)	2,357,014,468

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Notes to the Consolidated Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	40,736,946	-	-	-	(1,884,228)	-	38,852,718
Motor vehicles	24,370,062	10,936,810	-	-	(2,752,775)	-	32,554,097
Infrastructure	1,400,446,933	-	-	99,909,899	(47,667,945)	(25,606)	1,452,663,281
Other property, plant and equipment	33,238,037	3,337,159	(1,926,302)	-	(6,238,857)	-	28,410,037
Assets under construction	860,773,965	501,282,407	-	(99,909,899)	-	-	1,262,146,473
	2,359,565,943	515,556,376	(1,926,302)	-	(58,543,805)	(25,606)	2,814,626,606

Alfred Nzo District Municipality

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Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Adjustments	Additions	Disposals	Transfers	Depreciation	Total
Buildings	39,364,335	(200,000)	3,399,307	-	-	(1,826,696)	40,736,946
Motor vehicles	80,000	(80,000)	24,768,859	-	-	(398,797)	24,370,062
Infrastructure	1,140,383,677	99,299,468	-	-	210,609,449	(49,845,661)	1,400,446,933
Other property, plant and equipment	24,560,617	(1,219,792)	13,607,796	(8,717)	-	(3,701,867)	33,238,037
Assets under construction	679,651,169	(93,747,927)	485,480,172	-	(210,609,449)	-	860,773,965
	1,884,039,798	4,051,749	527,256,134	(8,717)	-	(55,773,021)	2,359,565,943

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Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	39,010,954	-	-	-	(1,826,695)	-	37,184,259
Finance Leased Assets	24,119,347	10,936,810	-	-	(2,693,850)	-	32,362,307
Infrastructure	1,400,446,933	-	-	99,909,899	(47,667,946)	(25,605)	1,452,663,281
Other property, plant and equipment	32,663,269	3,184,650	(1,890,087)	-	(6,020,156)	-	27,937,676
Assets Under Construction	860,773,965	501,282,407	-	(99,909,899)	-	-	1,262,146,473
	2,357,014,468	515,403,867	(1,890,087)	-	(58,208,647)	(25,605)	2,812,293,996

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Notes to the Consolidated Financial Statements

Figures In Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Adjustment	Additions	Transfers	Depreciation	Total
Buildings	39,364,335	(200,000)	1,673,315	-	(1,826,696)	39,010,954
Motor vehicles	80,000	(80,000)	24,474,233	-	(354,886)	24,119,347
Infrastructure	1,140,383,677	99,299,468	-	210,609,449	(49,845,661)	1,400,446,933
Other property, plant and equipment	24,228,551	(1,219,792)	13,107,678	-	(3,453,168)	32,663,269
Assets Under Construction	679,651,169	(93,747,927)	485,480,172	(210,609,449)	-	860,773,965
	1,883,707,732	4,051,749	524,735,398	-	(55,480,411)	2,357,014,468

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

4. Intangible assets

	2016		2015	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Economic entity				
Computer software	6,304,988	(3,035,706)	3,269,282	6,354,768
				(2,679,530)
				3,675,238

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

4. Intangible assets (continued)

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,863,704	(2,746,084)	3,117,620	5,939,057	(2,478,947)	3,460,110

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	3,675,238	279,010	(684,966)	3,269,282

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Adjustment	Additions	Amortisation	Total
Computer software	2,660,588	42,025	2,197,976	(1,225,351)	3,675,238

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	3,460,110	253,437	(595,927)	3,117,620

Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2,568,297	2,031,304	(1,139,491)	3,460,110

5. Heritage assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Reconciliation of heritage assets Economic entity - 2016

Alfred Nzo District Municipality

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	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

5. Heritage assets (continued)

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets Controlling entity - 2016

	Opening balance	Total
Art collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets Controlling entity - 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

6. Long term receivables

Long Term Receivables	959,829	897,508	959,829	897,508
	959,829	897,508	959,829	897,508
Provision for Impairment	(844,366)	(820,725)	(844,366)	(820,725)
	115,463	76,783	115,463	76,783

The long term receivables relate to car loans issued to former employees. These loans were issued at 8% per annum for 4 years. These loans have been owing since 2004. The loans have been handed over to the lawyers for collection. The recoverability of these amounts is not certain hence the provision for impairment.

Long term receivables past due but not impaired

Long Term Receivables which are making payments even though they are past due are not considered to be impaired. At 30 June 2016, R 76 783 - (2015 R251 609:

Long term receivables Impaired

As of 30 June 2016, Long Term Receivables of R820 725 - (2015: R609 117 -) were impaired and provided for.

The amount of the provision was R820 725 - as of 30 June 2016 (2015: R609 117 -)

7. Investments

Designated at fair value

Investec Long term investment	33,876,432	31,078,061	33,876,432	31,078,061
Nedbank Long term investment	5,911,659	5,206,232	5,911,659	5,206,232
Investec Short Term Investment	-	52,795,675	-	52,795,675
	39,788,091	89,079,968	39,788,091	89,079,968

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
7. Investments (continued)				
	39,788,091	89,079,968	39,788,091	89,079,968
	-	-	-	-
	-	-	-	-
Total other financial assets	39,788,091	89,079,968	39,788,091	89,079,968
Non-current assets				
Designated at fair value	39,788,091	36,284,293	39,788,091	36,284,293
Current assets				
Designated at fair value	-	52,795,675	-	52,795,675
Non-current assets	39,788,091	36,284,293	39,788,091	36,284,293
Current assets	-	52,795,675	-	52,795,675
	39,788,091	89,079,968	39,788,091	89,079,968

Financial assets at fair value

Account	Cashbook 2016	Cashbook 2015	Bank Statement 2016	Bank Statement 2015
Investec Acc # TR 38468	33,876,432	31,078,061	33,876,432	31,078,061
Nedbank Acc #03/7881111046/0002	5,911,659	5,206,232	5,911,659	5,206,232
Investec Acc# 187973	-	52,795,675	-	52,795,675
	39,788,091	89,079,968	39,788,091	89,079,968

8. Inventories

Consumable stores	2,861,309	2,717,707	2,861,309	2,717,707
Water	2,540,684	3,021,678	2,540,684	3,021,678
Stationery	390,986	210,458	390,986	210,458
	5,792,979	5,949,843	5,792,979	5,949,843

8.1 Water Losses

Water stock opening balance (volumes)	204,862	205,846	205,846	204,862
Produced (volumes)	5,259,129	4,763,022	5,259,129	4,763,022
Less Water sales	(1,201,064)	(2,228,995)	(1,201,064)	(2,228,995)
Less Water Stock closing	(206,060)	(205,486)	(206,060)	(205,846)
	4,056,867	2,534,387	4,057,851	2,533,043

Cost of producing on cubic meter	12	15	12	15
Water loss in rands	50,032,590	37,183,224	50,032,590	37,183,224
Water loss as a % of produced	77	53	77	53

No inventories have been pledged as collateral for liabilities of the municipality

9. Receivables from exchange transactions

Consumer debtors - Water	27,997,340	27,024,126	27,997,340	27,024,126
Consumer debtors - Sewerage	2,114,885	2,079,592	2,114,885	2,079,592
Consumer debtors - Other	611,828	417,062	611,828	417,062
	30,724,053	29,520,780	30,724,053	29,520,780

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
9. Receivables from exchange transactions (continued)				
Gross Amount				
Water	102,311,060	81,668,996	102,311,060	81,668,996
Sanitation	12,287,612	10,069,352	12,287,612	10,069,352
Other	2,485,384	41,745	2,485,384	41,745
	117,084,056	91,780,093	117,084,056	91,780,093
Less Impairment Provision				
Water	(74,680,073)	(56,206,495)	(74,680,073)	(56,206,495)
Sanitation	(10,172,726)	(7,990,551)	(10,172,726)	(7,990,551)
Sundries	(1,470,346)	(21,123)	(1,470,346)	(21,123)
	(86,323,145)	(64,218,169)	(86,323,145)	(64,218,169)
Net Balances				
Water	27,630,987	25,642,501	27,630,987	25,462,501
Sewerage	2,114,885	2,078,801	2,114,885	2,078,801
Other	1,015,039	20,622	1,015,039	20,622
	30,760,911	27,741,924	30,760,911	27,561,924
Water				
Current (0-30 days)	2,419,890	3,331,989	2,419,890	3,331,989
31- 60 days	1,915,344	1,370,098	1,915,344	1,370,098
61- 90 days	2,275,561	1,247,944	2,275,561	1,247,944
91- 120 days	1,466,429	2,463,902	1,466,429	2,463,902
> 120 days	94,233,836	73,174,022	94,233,836	73,174,022
	102,311,060	81,587,955	102,311,060	81,587,955
Sewerage				
Current (0-30 days)	222,098	207,486	222,098	207,486
31 - 60 days	210,308	198,116	210,308	198,116
61 - 90 days	207,105	193,739	207,105	193,739
91 - 120 days	204,615	383,750	204,615	383,750
> 120 days	11,443,485	9,073,734	11,443,485	9,073,734
	12,287,611	10,056,825	12,287,611	10,056,825
Sundries				
Current (0-30 days)	960,650	2,584	960,650	2,584
31 - 60 days	29,890	1,302	29,890	1,302
61 - 90 days	29,890	1,302	29,890	1,302
91 - 120 days	4,880	1,307	4,880	1,307
> 120 days	1,460,076	35,249	1,460,076	35,249
	2,485,386	41,744	2,485,386	41,744

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
9. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0-30 days)	1,169,128	1,130,297	1,169,128	1,130,297
31 - 60 days	1,060,061	746,993	1,060,061	746,993
61- 90 days	1,000,207	723,174	1,000,207	723,174
91- 120 days	885,768	2,433,585	885,768	2,433,585
>120 days	59,995,487	45,721,608	59,995,487	45,721,608
Subtotal	64,110,651	50,755,657	64,110,651	50,755,657
Less Impairment Provision	(62,309,901)	(47,700,256)	(62,309,901)	(47,700,256)
	1,800,750	3,055,401	1,800,750	3,055,401
Industrial/ Commercial				
Current (0-30 days)	1,766,540	457,218	1,766,540	457,218
31-60 days	612,507	495,796	612,507	495,796
61 -90days	931,051	492,796	931,051	492,796
91 -120 days	599,143	918,256	599,143	918,256
> 120 days	26,044,511	19,802,765	26,044,511	19,802,765
	29,953,752	22,166,831	29,953,752	22,166,831
Less: Impairment Provision	(9,624,034)	(6,221,176)	(9,624,034)	(6,221,176)
	20,329,718	15,945,655	20,329,718	15,945,655
Churches				
Current (0-30 days)	35,210	20,558	35,210	20,558
31- 60 days	31,930	21,312	31,930	21,312
61- 90 days	28,368	20,215	28,368	20,215
91-120 days	21,929	54,593	21,929	54,593
>120 days	1,522,378	1,190,327	1,522,378	1,190,327
Subtotal	1,639,815	1,307,005	1,639,815	1,307,005
Less Allowance for impairment	(1,611,377)	(1,280,364)	(1,611,377)	(1,280,364)
	28,438	26,641	28,438	26,641
National and Provincial Government				
Current (0- 30 days)	631,761	328,891	631,761	328,891
31 -60 days	451,045	526,764	451,045	526,764
61- 90 days	552,931	329,177	552,931	329,177
91- 120 days	169,083	673,323	169,083	673,323
> 120 days	19,575,019	15,568,893	19,575,019	15,568,893
Less Impairment Provision	(12,777,834)	(9,009,662)	(12,777,834)	(9,009,662)
	8,602,005	8,417,386	8,602,005	8,417,386

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
9. Receivables from exchange transactions (continued)				
Total				
Current (0-30 days)	3,602,638	1,936,965	3,602,638	1,936,965
31- 60 days	2,155,542	1,790,865	2,155,542	1,790,865
61- 90 days	2,512,556	1,565,363	2,512,556	1,565,363
91 -120 days	1,675,923	4,080,057	1,675,923	4,080,057
> 120 days	105,715,516	82,283,593	105,715,516	82,283,593
Subtotal	115,662,175	91,656,843	115,662,175	91,656,843
Less Impairment Provision	(84,901,266)	(64,211,459)	(84,901,266)	(64,211,459)
	30,760,909	27,445,384	30,760,909	27,445,384

Reconciliation of provision for impairment of trade and other receivables

Opening balance	64,218,170	55,540,361	64,218,170	55,540,361
Provision for impairment	22,104,975	8,677,809	22,104,975	8,677,809
	86,323,145	64,218,170	86,323,145	64,218,170

Consumer debtors pledged as security

No consumer debtors were pledged as security during the year.

Credit

Quality of consumer receivables

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened.

None of the financial assets that are fully performing have been renegotiated in the last year.

10. Receivables from non-exchange transactions

Staff Loans	1,053,251	1,086,689	1,053,251	1,086,689
Sundry Debtors	(1)	(1)	(1)	(1)
Staff Debtors	25,487	25,487	25,487	25,487
	1,078,737	1,112,175	1,078,737	1,112,175

Receivables from non-exchange transactions pledged as security

There are no other receivables that have been pledged as security.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

10. Receivables from non-exchange transactions (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors the receivables by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed. None of the financial assets that were fully performing have been renegotiated in the last year.

11. VAT receivable

VAT	6,172,002	34,482,052	6,172,002	34,482,052
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Vat is payable on a cash basis, once payment has been received from Debtors, then VAT is paid over to SARS.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
12. Cash and cash equivalents				
Short Term Deposits	28,275,219	73,127,446	27,362,492	71,226,061
Bank balances	9,012,821	2,913,585	9,012,821	2,596,148
Cash on hand	500	500	-	-
Bank overdraft	(28,308)	-	-	-
	37,260,232	76,041,531	36,375,313	73,822,209
Current assets	37,288,540	76,041,531	36,375,313	73,822,209
Current liabilities	(28,308)	-	-	-
	37,260,232	76,041,531	36,375,313	73,822,209

Short Term Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 0% to 4.5% per annum

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Main Account- Current Account # 62024932974	9,184,689	2,604,072	4,073,123	9,012,821	2,596,148	4,429,132
Water and Sanitation Account # 62152581586	-	-	(12,247)	-	-	(12,286)
ANDM Main Call Account #62474364553	27,581	7,345,088	45,199,132	6,408,537	7,345,088	45,130,932
Attic Account - Call Account: Account # 62027456038	212,653	718,506	683,274	212,653	718,506	683,274
DBSA-MIG Front loading	5,748	5,442	5,191	5,748	5,442	5,191
Disaster Relief Ac/Rural R.Asset # 62027457036	1,158,507	498,870	5,079	1,494,956	498,870	5,079
Dwaf Capital Account # 62058638415	8,536,574	432,674	8,314,247	3,066,982	432,674	8,043,047
EPWP Account # 62058637110	9,204	491,143	4,572	9,204	491,143	4,572
F.M.G	493,811	249,583	2,581,919	328,422	249,583	2,581,874
MWIG GRANT/LED Capacity Account # 62033034448	2,060,879	99,612	5,483,561	2,060,879	99,612	5,483,561
MIG Account # 62090556279	306,269	388,924	19,107,257	306,269	388,924	19,107,257
MSIG # 62058638837	676,917	360,605	194,833	377,172	360,605	194,833
Reserve fund	9,023,167	54,448,228	41,728,690	9,023,167	54,448,228	41,728,690
Rural Housing & Development Account # 62027456559	3,609,954	5,412,995	5,418,622	3,609,945	5,412,995	5,418,577
Sport & Recreation Account # 62025448855	7,043	7,641	877,368	7,043	7,641	877,323
THETHA / ISDG Account # 62058636716	891,769	766,749	921,397	451,515	766,749	921,397
ANDA cash on hand	-	-	-	500	500	-
First National Bank - Public sector cheque account - 622156902355	(28,308)	317,437	-	(28,308)	317,437	-
First National Bank Call Account - 62238128351	3,496	3,417	-	3,496	3,417	-

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
12. Cash and cash equivalents (continued)				
First National Bank Call Account - 62238128517	65,969	2,872	-	65,969
First National Bank Call Account - 62236128781	4,732	4,572	-	4,732
First National Bank Call Account - 62238129094	1,469	1,472	-	1,469
First National Bank Call Account - 62238129804	1,482	1,484	-	1,482
First National Bank Call Account - 622381230231	2,821	1,882,567	-	2,821
First National Bank Call Account - 62238127949	830,557	2,784	-	830,557
First National Bank Call Account - 62238128129	2,198	2,217	-	2,198
Total	37,089,181	76,048,954	134,586,018	37,260,229
			76,041,530	134,602,453
13. Finance lease obligation				
Minimum lease payments due				
- within one year		11,918,141	8,314,438	11,918,141
- in second to fifth year inclusive		5,961,714	11,653,017	5,961,714
		17,879,855	19,967,455	17,879,855
less: future finance charges		(1,543,034)	(2,588,243)	(1,543,034)
Present value of minimum lease payments		16,336,821	17,379,212	16,336,821
			17,361,212	17,361,212
Present value of minimum lease payments due				
- within one year		10,585,841	6,661,755	10,585,841
- in second to fifth year inclusive		7,450,980	10,699,437	7,450,980
		18,036,821	17,361,192	18,036,821
			18,036,821	17,361,212
Non-current liabilities		5,750,980	10,699,497	5,750,980
Current liabilities		10,585,841	6,661,775	10,585,841
		16,336,821	17,361,272	16,336,821
			17,361,272	17,361,272

The lease liability relates to motor vehicles acquired during the 2014/2015 and 2015/2016 financial years. The lease term is 32 months with effective interest rate 11.5%. The net book values as reported under note 3 as R29 814 857 (2015: R 22 356 715).

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
14. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Municipal Infrastructure Grant	(1)	(1)	(1)	(1)
Local Economic Development Capacity	-	300,000	-	300,000
Municipal Health Grant	634,847	(1)	634,847	(1)
WSOG	3,934,635	-	3,934,635	-
Water Conservation and Demand Management	-	279,491	-	279,491
Sports and Recreation	-	363,818	-	363,818
Infrastructure Skills Development Grant	1	324,332	1	324,332
Regional Bulk Grant	2,636,874	545,342	2,636,874	545,342
Fire and Emergency	-	868,661	-	868,661
Attic	-	145,874	-	145,874
Rural Housing	1,327,254	2,892,553	1,327,254	2,892,553
H W Sita	65,500	-	-	-
	8,599,110	5,720,071	8,533,610	5,720,069

The unspent conditional grants are cash backed by short term deposits. The municipality complied with the conditions attached to all the grants received to the extent of revenue recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

15. Provisions

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	752,728	636,677	-	1,389,405
Non Current Long Service	5,956,482	-	(60,775)	5,895,707
	6,709,210	636,677	(60,775)	7,285,112

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	860,965	(108,237)	-	752,728
Non Current Long Service	8,111,948	(1,294,500)	(860,966)	5,956,482
	8,972,913	(1,402,737)	(860,966)	6,709,210

Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	752,728	636,677	-	1,389,405
Non Current Long Service	5,956,482	-	(60,775)	5,895,707
	6,709,210	636,677	(60,775)	7,285,112

Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	860,965	(108,237)	-	752,728
Non Current Long Service	8,111,948	(1,294,500)	(860,966)	5,956,482
	8,972,913	(1,402,737)	(860,966)	6,709,210
Non-current liabilities	5,895,707	5,956,482	5,895,707	5,956,482
Current liabilities	1,389,405	725,728	1,389,405	725,728
	7,285,112	6,682,210	7,285,112	6,682,210

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

15. Provisions (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end , 417 (2015: 411) employees were eligible for Long Service Awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows

Discount rate used %	8	8	8	8
Cast inflation rate %	7	7	7	7
Net discount rate %	1	1	1	1
Expected Retirement age - Females (years) %	60	60	60	60
Expected Retirement age - Males (years) %	65	65	65	65
	-	-	-	-

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	6,709,210	8,972,914	6,709,210	8,972,914
Current service cost	895,264	1,386,066	895,264	1,386,066
Interest cost	500,680	679,845	500,680	679,845
Benefits paid	(752,728)	(860,966)	(752,728)	(860,966)
Actuarial losses / (gains)	(67,314)	(3,468,649)	(67,314)	(3,468,649)
Present Value of Fund Obligation at the end of the Year	7,285,112	6,709,210	7,285,112	6,709,210

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	895,264	1,386,066	895,264	1,386,066
Interest cost	500,680	679,845	500,680	679,845
Actuarial losses / (gains)	(67,314)	(3,468,649)	(67,314)	(3,468,649)
	1,328,630	(1,402,738)	1,328,630	(1,402,738)

The history of experienced adjustments is as follows:

	2016	2015	2014	2013
Present Value of Defined Value Obligation	7,285,122	6,709,210	897,291	1,432,612

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

16. Long term loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan

Figures in Rand	2016	2015	2016	2015
Development Bank of South Africa	-	-	-	-
Non Current at Amortised Cost	8,070,300	8,661,975	8,070,300	8,661,975
Current at amortised cost	839,564	789,840	839,564	789,840
	8,909,864	9,451,815	8,909,864	9,451,815

17. Payables from non exchange transactions

Staff loan	283,042	251,513	283,042	251,513
Unallocated receipts	850,566	1,768,718	850,566	1,768,718
	1,133,608	2,020,231	1,133,608	2,020,231

Unallocated Credits relate to customer deposits made into the municipality bank account but cant be allocated to a particular customer as the identity of the customer is unknown.

18. Payables from exchange transactions

Trade payables	93,199,235	168,639,687	88,324,290	167,465,243
Accrued leave pay	10,975,852	10,430,608	10,365,683	10,137,858
Accrued bonus	3,770,142	3,244,355	3,770,142	3,244,355
Retentions	45,454,227	40,093,528	45,454,227	40,093,528
Third Party Payments	4,281,158	1,955,070	3,636,140	1,318,815
Alfred Nzo Development Agency	2,715	2,715	2,715	2,715
Vat Accrual	(1,275,486)	(22,352,191)	(1,275,486)	(22,352,191)
Interest and penalties	851,441	468,148	-	-
sundry creditors	2,001	11,903	-	-
	157,261,285	202,493,823	150,277,711	199,910,323

No assets have been pledged as security for the payables from exchange transactions

19. Financial instruments disclosure

Categories of financial instruments

Controlling entity - 2016

Financial assets

	At fair value	At amortised cost	Total
Unlisted Investments	-	100	100
Long term investments	39,788,091	-	39,788,091
Long term receivables	-	115,463	115,463
Trade and other receivables from exchange transactions	-	30,724,053	30,724,053
Other receivables from non-exchange transactions	-	1,078,737	1,078,737

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
Financial instruments disclosure (continued)				
Cash and cash equivalents	36,375,313	-	-	36,375,313
Vat receivable	-	6,172,002	6,172,002	6,172,002
	76,163,404	38,090,355	38,090,355	114,253,759

Financial liabilities

	At amortised cost	Total
Finance lease obligation - (current portion)	10,585,841	10,585,841
Long term loan - (current portion)	8,070,300	8,070,300
Payables	150,277,711	150,277,711
Unspent conditional grants	8,533,610	8,533,610
Long term finance lease obligation	5,750,980	5,750,980
Current portion fo the long term loan	839,564	839,564
	184,058,006	184,058,006

Controlling entity - 2015

Financial assets

	At fair value	At amortised cost	Total
Investment in controlled entites	-	100	100
Long term investments	39,788,091	-	39,788,091
Long term recievables	-	115,463	115,463
Trade and other receivables from exchange transactions	-	30,724,053	30,724,053
Other receivables from non-exchange transactions	-	1,078,737	1,078,737
Cash and cash equivalents	36,375,313	-	36,375,313
Vat receivable	-	6,172,002	6,172,002
	76,163,404	38,090,355	114,253,759

Financial liabilities

	At amortised cost	Total
Finance lease obligation	10,585,841	10,585,841
Long term receivables	8,070,300	8,070,300
Payables	150,277,711	150,277,711
Unspent conditional grant	8,533,610	8,533,610
Long term finance lease obligation	5,750,980	5,750,980
Current portion of the long term loan	839,564	839,564
	184,058,006	184,058,006

The terms and conditons relating to the pledged assets have been disclosed on the respective financial instruments

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
20. Revenue				
Rendering of services	9,836,961	7,440,709	9,836,961	7,440,709
Service charges	15,831,924	18,766,504	15,831,924	18,766,504
Rental of facilities and equipment	233,981	183,728	233,981	183,728
Agency services	19,915	31,184	19,915	31,184
Other income	3,229,442	3,143,988	3,207,942	3,131,313
Interest received - investment	11,924,185	19,906,623	11,871,083	19,718,924
Government grants & subsidies	902,768,510	819,973,068	902,468,510	819,940,587
Public contributions and donations	1,430,028	-	1,430,028	-
	945,274,946	869,445,804	944,900,344	869,212,949

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	15,840,259	18,766,504	15,831,924	18,766,504
Rendering of services	9,836,961	7,440,709	9,836,961	7,440,709
Rental of facilities and equipment	233,981	183,728	233,981	183,728
Agency services	19,915	31,184	19,915	31,184
Other income	2,986,778	3,143,988	3,207,942	3,131,313
Interest received - investment	11,924,185	19,906,623	11,871,083	19,718,924
	40,842,079	49,472,736	41,001,806	49,272,362

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue				
Government grants & subsidies	902,768,510	819,973,068	902,468,510	819,940,587
Public contributions and donations	1,430,028	-	1,430,028	-
	904,198,538	819,973,068	903,898,538	819,940,587

21. Service charges

Water Charges	23,156,248	24,391,924	23,156,248	24,391,924
Sewerage and sanitation charges	2,511,996	1,815,289	2,511,996	1,815,289
	25,668,244	26,207,213	25,668,244	26,207,213

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
22. Government grants and subsidies				
Human settlement Disaster Grant	500,000	-	500,000	-
Finance Management Grant	1,325,000	1,250,000	1,325,000	1,250,000
Municipal Health	-	2,328,916	-	2,328,916
Municipal Water Infrastructure Grant	91,071,000	28,171,642	91,071,000	28,171,642
Local Government SETA	163,091	661,500	163,091	661,500
Equitable Share	364,950,000	342,149,000	364,950,000	342,149,000
Department of Water Grant	-	9,469	-	9,469
Attic	145,874	508,111	145,874	508,111
Energy Efficiency and Demand Management	13,000,000	4,000,000	13,000,000	4,000,000
Rural Housing	1,565,299	6,827,261	1,565,299	6,827,261
Local Economic Development Capacity	300,000	32,481	300,000	32,481
Municipal Systems Improvement Grant	930,000	934,000	930,000	934,000
Expanded Public Works Programme	4,853,000	8,323,000	4,853,000	8,323,000
Water Services Operation Grant	6,065,365	5,000,000	6,065,365	5,000,000
Municipal Infrastructure Grant	384,744,000	367,363,000	384,744,000	367,363,000
Regional Bulk Infrastructure Grant	27,088,241	44,138,146	27,088,241	44,138,146
Transport	2,100,000	2,104,000	2,100,000	2,104,000
Rain Water Harvest	-	901	-	901
Sports and Culture	363,818	985,018	363,818	985,018
Water Conservation and Demand Management	279,491	1,247,291	279,491	1,247,291
Infrastructure Skills Development Grant	3,324,331	3,939,332	3,324,331	3,939,332
	902,768,510	819,973,068	902,768,510	819,973,068

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and also to assist poor municipalities with financing their operational expenditure.

Expanded Public Works Programme

Current-year receipts	4,853,000	8,323,000	4,853,000	8,323,000
Conditions met - transferred to revenue	(4,853,000)	(8,323,000)	(4,853,000)	(8,323,000)

EPWP Grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings: low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines(excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land based livelihoods; social services programmers; health service programmers; and community safety programmers.

Municipal Systems Improvement Grant

Current-year receipts	930,000	934,000	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)	(930,000)	(934,000)

The grant was used to establish and review policies, by laws, Internal Control Systems and the preparation of a GRAP compliant Asset Register. No funds have been withheld.

Finance Management Grant

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
22. Government grants and subsidies (continued)				
Current-year receipts	1,325,000	1,250,000	1,325,000	1,250,000
Conditions met - transferred to revenue	(1,325,000)	(1,250,000)	(1,325,000)	(1,250,000)
	-	-	-	-

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-	(1)	(1)
Current-year receipts	384,744,000	367,363,000	384,744,000	367,363,000
Conditions met - transferred to revenue	(384,744,000)	(367,363,000)	(384,744,000)	(367,363,000)
	-	-	(1)	(1)

The Grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Department of Transport

Current-year receipts	2,100,000	2,104,000	2,100,000	2,104,000
Conditions met - transferred to revenue	(2,100,000)	(2,104,000)	(2,100,000)	(2,104,000)
	-	-	-	-

Local Economic Development Capacity

Balance unspent at beginning of year	300,000	(14,362)	300,000	(14,362)
Current-year receipts	(300,000)	300,000	(300,000)	300,000
Other	-	14,362	-	14,362
	-	300,000	-	300,000

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld. Conditions still to be met, remain liabilities (see note 14).

Thetha

Balance unspent at beginning of year	-	32,481	-	32,481
Other	-	(32,481)	-	(32,481)
	-	-	-	-

The grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home-based care kits. No funds have been withheld.

Municipal Health

Balance unspent at beginning of year	-	-	(1)	(1)
Current-year receipts	634,848	2,328,916	634,848	2,328,916
Conditions met - transferred to revenue	-	(2,328,916)	-	(2,328,916)
	634,847	-	634,847	(1)

Conditions still to be met - remain liabilities (see note 14).

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

22. Government grants and subsidies (continued)

The grant is a contribution towards addressing health issues in the areas of the local municipalities in the district.

Water Services Operation Grant

Current-year receipts	10,000,000	5,000,000	10,000,000	5,000,000
Conditions met - transferred to revenue	(6,065,365)	(5,000,000)	(6,065,365)	(5,000,000)
	3,934,635	-	3,934,635	-

Conditions still to be met - remain liabilities (see note 14).

This grant has been allocated to assist the municipality to establish water conservation and demand management systems..

Water Conservation and Demand Management

Balance unspent at beginning of year	279,491	279,491	279,491	279,491
Current-year receipts	-	1,247,291	-	1,247,291
Conditions met - transferred to revenue	(279,491)	(1,247,291)	(279,491)	(1,247,291)
	-	279,491	-	279,491

Conditions still to be met - remain liabilities (see note 14).]

This grant has been allocated to assist the municipality to establish water conservation and demand management systems.

Sports and Culture

Balance unspent at beginning of year	363,818	363,818	363,818	363,818
Current-year receipts	-	985,019	-	985,019
Conditions met - transferred to revenue	(363,818)	(985,019)	(363,818)	(985,019)
	-	363,818	-	363,818

Conditions still to be met - remain liabilities (see note 14).

Disaster Management

Current-year receipts	500,000	-	500,000	-
Conditions met - transferred to revenue	(500,000)	-	(500,000)	-
	-	-	-	-

Infrastructure Skills Development Grant

Balance unspent at beginning of year	324,332	1,263,663	324,332	1,263,663
Current-year receipts	3,000,000	3,000,000	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,324,331)	(3,939,331)	(3,324,331)	(3,939,331)
	1	324,332	1	324,332

Conditions still to be met - remain liabilities (see note 14).

Regional Bulk Grant

Balance unspent at beginning of year	545,342	-	545,342	-
Current-year receipts	29,179,773	44,683,488	29,179,773	44,683,488
Conditions met - transferred to revenue	(27,088,241)	(44,138,146)	(27,088,241)	(44,138,146)
	2,636,874	545,342	2,636,874	545,342

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

22. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

This grant was used for the construction of dams which will provide sustainable water supply to the communities of Umzimvubu and Matatiele local municipality areas. The grant is transferred from DWA.

Fire and Emergency

Balance unspent at beginning of year	868,661	868,661	868,661	868,661
Other	(868,661)	-	(868,661)	-
	-	868,661	-	868,661

Conditions not met for a period of more than 3 years therefore amount transferred to other income.

Attic

Balance unspent at beginning of year	-	-	145,874	653,985
Conditions met - transferred to revenue	-	-	(145,874)	(508,111)
	-	-	-	145,874

This grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home-based care kits, etc. No funds have been withheld.

Conditions still to be met - remain liabilities (see note 14).

Rural Housing

Balance unspent at beginning of year	-	-	2,892,553	5,219,814
Current-year receipts	-	-	-	4,500,000
Conditions met - transferred to revenue	-	-	(1,565,299)	(6,827,261)
	-	-	1,327,254	2,892,553

Conditions still to be met - remain liabilities (see note 14).

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	-	-	-	135,171
Current-year receipts	-	-	91,071,000	28,036,471
Conditions met - transferred to revenue	-	-	(91,071,000)	(28,171,642)
	-	-	-	-

Energy Efficiency

Current-year receipts	-	-	13,000,000	4,000,000
Conditions met - transferred to revenue	-	-	(13,000,000)	(4,000,000)
	-	-	-	-

23. Public contributions and donations

Public contributions and donations	1,430,028	-	1,430,028	-
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Conditions still to be met - remain liabilities (see note 14)

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
24. Other income				
Fire Levy	887,482	20,171	887,482	20,171
Sundry Income	289,204	1,785,802	268,204	1,773,127
Tender Deposits	394,657	661,259	394,657	661,259
Refund received	-	2,200	-	2,200
LG Seta	1,388,499	78,637	1,388,499	78,637
Insurance Claim	269,600	595,919	269,600	595,919
	3,229,442	3,143,988	3,208,442	3,131,313

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
25. General expenses				
Accommodation	6,079,003	8,123,213	-	-
Advertising	8,539,642	7,335,071	479,014	1,159,414
Accounting fees	3,203,346	737,300	-	-
Auditors fees	673,384	1,301,288	7,024,294	6,065,227
Bank charges	1,007,737	669,459	978,556	655,943
Cleaning	206,560	403,733	170,062	338,284
Annual fees	-	2,000	-	-
Computer expenses	-	106,913	-	-
Consulting and professional fees	1,671,364	2,904,096	-	-
Consumables	4,085,905	5,543,969	4,085,905	5,541,909
Board allowance	-	287,760	-	-
Legal fees	3,509,502	3,160,213	2,340,165	1,631,110
Fines and penalties	1,915,350	154,278	1,665,159	-
Hire	1,895,199	1,928,656	1,895,199	1,928,656
Insurance	866,469	830,711	802,288	771,889
Community development and training	4,003,512	-	4,003,512	-
Conferences and seminars	90,717	19,300	22,050	19,300
IT expenses	2,625,880	-	2,625,880	-
Marketing	1,904,886	1,571,861	1,904,886	1,571,861
Promotions and sponsorships	201,352	205,628	20,365	-
Magazines, books and periodicals	100,563	69,158	100,563	69,158
Motor vehicle expenses	64,250	1,390	-	-
Pest control	-	20,310	-	20,310
Fuel and oil	3,933,579	3,971,466	3,932,743	3,971,466
Placement fees	196,383	250,482	196,383	250,482
Printing and stationery	327,232	958,110	94,960	252,092
Protective clothing	-	-	2,483,567	5,264,509
Motor vehicle expenses	2,483,567	5,264,509	-	-
Subscriptions and membership fees	2,444	650	2,444	650
Telephone and fax	6,770,423	5,719,641	6,427,921	5,540,874
Training	3,643,622	2,857,474	2,461,043	2,198,069
Travel - local	14,636,212	13,483,214	12,899,766	11,902,797
General equipment	17,552	14,972	-	-
Electricity	11,296,876	10,092,027	11,184,482	9,976,816
Delivery expenses	5,000	-	-	-
Accommodation	-	-	4,790,976	6,450,298
Audit Committee	1,341,813	361,225	388,313	302,225
Catering and Venue Hire	3,334,031	2,859,558	2,943,507	2,724,316
Environmental Management	64,714	205,236	64,714	199,976
Fire and Rescue Services	317,601	1,504,100	317,601	1,504,100
Licence Fees	86,332	-	-	-
Occupational Health and Safety	1,175,663	41,105	1,175,663	41,105
Other expenses	40,743,160	37,440,522	40,743,160	37,440,522
Office refreshments	1,082,242	913,562	875,637	905,380
Parking	1,718	-	-	-
Publications	-	58,409	-	-
Recruitment expenses	-	166,244	-	-
Security	6,953	-	-	-
Software expenses	-	44,986	-	-
	134,111,738	121,583,799	119,100,778	108,698,738

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
26. Employee related costs				
Basic	138,909,513	127,161,238	133,695,863	124,064,377
Bonus	7,478,376	6,504,946	7,478,376	6,504,946
Medical aid - company contributions	6,266,944	5,434,124	6,266,944	5,434,124
UIF	827,421	716,361	798,547	696,013
SDL	1,563,957	1,398,636	1,500,109	1,356,046
Leave pay provision charge	2,838,176	6,851,803	2,397,617	6,634,924
Back pay	-	55,010	-	-
Retirement Allowance	-	56,000	-	-
Defined contribution plans	12,125,352	10,204,534	12,125,352	10,204,534
Secondment allowance	-	8,224	-	-
Overtime payments	4,117,386	3,822,844	4,117,386	3,822,844
Long-service awards	686,354	172,057	686,354	172,057
Medical aid allowance	373,008	334,391	-	-
Car allowance	635,394	518,194	-	-
Transport allowances	9,497,800	8,875,140	9,497,800	8,875,140
Acting allowances	159,653	369,679	-	-
Housing benefits and allowances	7,530,059	6,582,983	7,530,059	6,559,886
Pension fund allowances	1,031,218	949,568	-	-
Standby Allowances	1,211,778	1,029,510	1,211,778	1,029,510
Shift Allowances	10,615,933	9,369,866	10,615,933	9,369,866
Bargaining Council	40,948	37,744	40,948	37,744
Defined Benefits : Long Service Awards	510,130	1,499,415	510,130	1,499,415
Employment Equity	-	199,500	-	199,500
	206,419,400	192,151,767	198,473,196	186,460,926

Remuneration of Municipal Manager

Annual Remuneration	911,055	419,585	911,055	419,585
Car Allowance	89,231	103,565	89,231	103,565
Performance Bonuses	53,295	69,440	53,295	69,440
Contributions to UIF, Medical and Pension Funds	528,117	290,123	528,117	290,123
	1,581,698	882,713	1,581,698	882,713

There was no Municipal Manager for 6 months from January 2015 to June 2015. The Senior Manager- Technical Services was acting in place of the Municipal Manager for that period.

Remuneration of Chief Finance Officer

Annual Remuneration	407,576	811,651	407,576	811,651
Car Allowance	122,386	269,784	122,386	269,784
Performance Bonuses	88,712	67,399	88,712	67,399
Contributions to UIF, Medical and Pension Funds	391,705	212,563	391,705	212,563
Acting allowance	132,029	-	132,029	-
	1,142,408	1,361,397	1,142,408	1,361,397

There has been no Chief Finance Officer since 1 January 2016.

Remuneration of Senior Manager - Community Services

Annual Remuneration	884,281	811,650	884,281	811,650
Car Allowance	133,810	134,085	133,810	134,085
Performance Bonuses	67,399	33,700	67,399	33,700
Contributions to UIF, Medical and Pension Funds	430,315	347,303	430,315	347,303
	1,515,805	1,326,738	1,515,805	1,326,738

Alfred Nzo District Municipality

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	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

26. Employee related costs (continued)

Remuneration of Senior Manager- Corporate Services

Annual Remuneration	884,281	811,650	884,281	811,650
Car Allowance	266,490	284,184	266,490	284,184
Performance Bonuses	67,339	67,339	67,399	67,399
Contributions to UIF, Medical and Pension Funds	411,505	198,133	411,505	198,133
Acting allowance	226,946	-	226,946	-
	1,856,561	1,361,306	1,856,621	1,361,366

Remuneration of Senior Manager -Technical Services

Annual Remuneration	932,359	840,090	932,359	840,090
Car Allowance	258,500	258,500	258,500	258,500
Performance Bonuses	62,569	50,550	62,569	50,550
Contributions to UIF, Medical and Pension Funds	307,544	307,544	307,544	186,717
Other	-	6,122	-	6,122
	1,560,972	1,462,806	1,560,972	1,341,979

Remuneration of Senior Manager -Planning and Economic Development

Annual Remuneration	557,377	811,650	557,377	811,650
Car Allowance	147,359	285,820	147,359	285,820
Performance Bonuses	62,569	67,399	62,569	67,399
Contributions to UIF, Medical and Pension Funds	47,168	198,998	47,168	198,998
Other	288,771	8,847	210,010	8,847
	1,103,244	1,372,714	1,024,483	1,372,714

27. Remuneration of councillors

Executive Major	484,154	476,566	484,154	476,556
Mayoral Committee Members	3,041,321	3,257,887	3,041,321	3,257,887
Councillors	4,765,134	4,547,289	4,765,134	4,547,289
Chief Whip	397,036	324,943	397,036	324,943
	8,687,645	8,606,685	8,687,645	8,606,675

28. Litigation expenditure

Administration and management fees - third party	11,483,958	-	11,483,958	-
Legal fees	2,587,180	-	1,441,466	-
	14,071,138	-	12,925,424	-

The amount above payment was for litigation pursued by Kwebi Creative CC against the municipality with reagrd to the unlawful termination of contract.

29. Debt impairment

Debt impairment	22,128,617	8,889,417	22,128,617	8,889,417
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
30. Investment revenue				
Interest revenue				
Call Deposits	11,871,083	19,718,674	11,871,083	19,718,674
Bank	53,099	187,949	-	250
	11,924,182	19,906,623	11,871,083	19,718,924
31. Depreciation and amortisation				
Property, plant and equipment	59,311,850	57,000,011	58,862,137	56,619,902
32. Finance costs				
Finance leases	2,351,024	422,978	2,351,024	422,978
Late payment interest	3,309,884	195,999	3,151,341	-
Interest on Loan	1,027,077	1,640,908	1,027,077	1,640,908
	6,687,985	2,259,885	6,529,442	2,063,886
33. Auditors' remuneration				
Fees	8,539,642	7,335,121	7,024,294	6,065,227
34. Rental of facilities and equipment				
Premises				
Premises	232,577	177,116	232,577	177,116
Venue hire	1,404	6,612	1,404	6,612
	233,981	183,728	233,981	183,728
35. Contracted services				
Professional Services	5,420,636	8,514,882	5,420,636	8,514,882
Security Services	10,296,092	11,489,096	10,296,092	11,489,096
Other Contractors	15,316,841	12,348,864	15,316,841	12,348,864
	31,033,569	32,352,842	31,033,569	32,352,842
36. Transfers and subsidies				
Other Grants	42,844,736	91,707,596	42,844,736	91,707,596
Free Basic Services	1,061,494	-	1,061,494	-
	43,906,230	91,707,596	43,906,230	91,707,596
37. Bulk purchases				
Water	5,349,607	4,077,989	5,349,607	4,077,989

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
38. Cash generated from operations				
Surplus	381,762,424	328,639,596	389,852,004	336,986,142
Adjustments for:				
Depreciation and amortisation	59,286,336	57,000,011	58,862,137	56,619,902
Gain on sale of assets and liabilities	4,379,276	337,213	4,408,099	337,213
Debt impairment	22,130,490	-	22,104,976	-
Movements in provisions	575,902	(7,030,182)	575,902	(7,030,182)
Finance costs	-	-	(15,039)	-
Impairment loss on non-current assets	25,605	-	25,605	-
Changes in working capital:				
Inventories	156,864	(140,915)	156,864	(140,915)
Receivables from exchange transactions	(23,373,087)	(14,175,943)	(23,331,890)	(14,113,066)
Other receivables from non-exchange transactions	33,438	453,921	33,438	(489,317)
Payables from exchange transactions	(46,335,103)	93,721,914	(50,735,180)	92,753,435
VAT	30,138,049	(25,290,655)	28,310,050	(29,432,477)
Unspent conditional grants and receipts	2,879,041	(3,798,551)	2,813,541	(3,798,551)
	431,659,235	429,716,409	433,060,507	431,692,184
39. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	612,653,388	848,710,631	612,653,388	848,710,631
Operating leases - Buildings (expense)				
Minimum lease payments due				
- within one year	203,865	203,865	203,865	203,865
- in second to fifth year	1,088,826	1,019,456	1,088,826	1,019,456
- More than 5 years	1,152,157	1,238,136	1,152,157	1,238,136
	2,444,848	2,461,457	2,444,848	2,461,457
Operating leases - vehicles				
- within one year	-	988,308	-	988,308
Operating lease - other Equipment				
- within one year	692,900	845,806	692,900	845,806
- in second to fifth year	-	811,598	-	811,598
	692,900	1,657,404	692,900	1,657,404

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. No contingent rent is payable.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
40. Contingencies				
Contingent Liabilities				
Failure to pay for Services Rendered			-	-
In 2006 Malukazi Project Managers issued summons for services rendered in the sanitation programme			1,914,259	1,914,259
Failure to pay for Services Rendered			-	-
In 2008 summons were issued by Affinity Solutions (Pty) Ltd for services rendered. The municipality is defending the matter. A trial date is awaited			313,505	313,505
Failure to claim from Provident Fund			-	-
In 2009 Z Mgwebi issued summons for damages emanating from failure to act by the municipality it being alleged the municipality failed to assist her together with her minor children to claim from the Provident Fund. The matter is defended by the municipality. The matter is now in pleading stage.			1,200,000	1,200,000
Failure to pay for services Rendered			-	-
In this matter summons were issued against the municipality for payment of the sum R115 000 for services rendered it being alleged that the service provider was appointed to render certain services. The matter is being defended.			115,000	115,000
Intervention in execution of Duties			-	-
During 2010 J and G Enterprises issued summons for financial damages it being alleged that the municipality stopped them from performing their contract. The matter is being defended by the municipality. The matter is in pleading stage.			1,541,600	1,541,600
Failure to pay for Services Rendered			-	-
In 2010 3P Consulting sued the municipality for services rendered by the municipality. The matter is in pleading stage			-	468,100
Breach of Contract			-	-
Amangcuse Security and Cleaning was awarded a tender to guard premises at Mt Ayliff but this was cancelled and an offer was made for them to guard premises at Mt Frere which they objected saying it amounted to breach of contract.			-	705,346
Breach of contract of Employment			-	-
In 2010 Zolani Gulwa issued summons against the municipality for breach of contract of employment in that the municipality failed to pay him in terms of the contract. The municipality is defending the matter and it is pending in the high court. The matter is in pleading stage			566,189	566,189
Breach of contract			-	-
Sinezipho Urban and Rural Development claims against the municipality for alleged termination of contract. The municipality is defending the matter			1,544,713	1,544,713
Failure to pay for Services Rendered			-	-
ANDA was mandated to by council to mobilise funding for ANDM water infrastructure project. ANDA then entered into an agreement with Gestalt. Gestalt has instituted legal proceedings against the ANDM and or ANDA. The ANDM legal team is disputing any and all of Gestalt claim. The above is disclosed in the financial statements without prejudice.			10,899,540	10,898,400
Removal as board member			-	-
Madikizela Renene and Mqedlana vs ANDA and ANDM - Alleged unlawful removal as ANDA board of directors			200,000	200,000
Alleged non payment for services rendered.			-	-
Madodanele C and Mgugudo Vs ANDM . Dispute is in respect of the number of hectares ploughed, the municipality alleging that less hectares were ploughed.			180,000	180,000
Failure to pay for contracted Services			-	-
During 2007 Jack Zulu issued summons against the municipality for specific performance, it being alleged that he was appointed by the municipality to render services at Umzimkhulu Area (previous dispensation) and the municipality failed to pay him in terms of the contract. The municipality denies that the services were rendered . Pleadings closed and a trial date is awaited.			17,250	17,250
Failure to pay for Goods and Services Rendered			-	-
During 2008 P Mabandla issued summons against the municipality for goods supplied and services rendered to the municipality at the latter's special instance and request. The municipality denies this. Pleadings closed and the trial date is awaited.			6,572	6,572

Aifred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
40. Contingencies (continued)				
Failure to pay for Services Rendered			-	-
In 2008 M J Phirimane issued summons against the municipality for services rendered. The municipality is defending the matter. A trial date is awaited.			28,200	28,200
			-	-
Failure to pay for Goods Delivered			-	-
Rob Potow irrigation issued summons against the municipality for failure to pay for materials supplied in terms of a verbal agreement. The municipality is defending the matter. The outcome is not certain at this stage.			24,522	24,522
Alleged loss of profit			-	-
Kwebi Creative cc vs ANDM, alleged loss of profit subsequent to the termination of a contract in respect of the supply and delivery of ductile iron and PVC- U pipes and later the settlement Agreement entered into.			-	10,989,433
Failure to pay for goods delivered			-	-
Alleged non-payment in lieu of the supply and delivery of tents, toilets, heaters etc for a municipal function. The dispute being that Peranho supplied less quantities contrary to the agreement.			-	128,950
Failure to pay for services rendered			-	-
Ernest Zellhuber vs ANDM, Alleged non - payment in lieu of service rendered.			89,537	-
Failure to pay for services rendered			-	-
Sihlangene financial advisory services cc vs ANDM, Alleged non - payment in lieu of financial services rendered.			235,585	-
Breach of contract			-	-
SLK Security Services and Cleaning vs ANDM, Alleged breach of contract in lieu of security services rendered.			686,619	-
Breach of contract			-	-
Ikamva Lolutha Nojola vs ANDM, Alleged breach of contract in lieu of supply and delivery of branding material.			40,072	-
Breach of contract			-	-
Hlumie Security vs ANDM, Alleged breach of contract in lieu of security services rendered			577,500	-
Failure to pay for service rendered			-	-
M Magigaba Inc vs ANDM, Alleged non - payment of money in lieu of services rendered.			106,682	-
			20,287,345	30,842,039

Contingent assets

Default of loan payment			-	-
ANDM vs Sinothando Mtshengu-failure to pay back loans advanced to an employee			62,054	-
Default of loan payment			-	-
ANDM vs Elvin Mkwando Chirwa- failure to pay back loans advanced to an employee			71,731	-
Failure to Deliver Services			-	-
The municipality has instituted a claim against MP civills for alleged failure to deliver a crawler sprinkler purchased in terms of a verbal contract. Settlement proposals are in the pipeline and the outcome of the case is still not certain			30,700	30,700
Default of loan payment			-	-
ANDM vs Vukile Selonyane- Default of payment in lieu of loans advanced to an employee			21,322	-
Default on loan payment			-	-
ANDM vs Lulamile Mapholoba- Default of payment in lieu of loans advanced to an employee			17,000	-
Default of loan payment			-	-
ANDM vs Mzulungile Luphindo- Default of payment in lieu of loans advanced to an employee			-	21,240
Default of loan payment			-	-
ANDM vs Dumisani Luswana- Default of payment in lieu of loans advanced to an employee			-	90,369

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
40. Contingencies (continued)				
Default of loan payment			-	-
ANDM vs Thembile Thomson- Default of payment in lieu of loans advanced to an employee			-	97,616
Accident claim			-	-
ANDM vs Nontuthuzelo Magugu-Claim arising from a Motor Vehicle Accident			6,907	6,907
Accident claim			-	-
ANDM vs Bulelani Airlington Mambi- Claim arising from a Motor Vehicle Accident			1,079	1,079
Claim for Advance Payment			-	-
ANDM vs Theodore Armstrong Rautenbch- Alleged failure to construct Zone Centres as paid for.			-	1,748,053
Default of loan payment			-	-
ANDM vs Thanduxolo Malusi -Default of payment in lieu of loans advanced to an employee			84,328	84,328
Accident claim			-	-
ANDM vs Suti - Claim arising from a Motor Vehicle Accident			20,987	-
			316,108	2,080,292

41. Related parties

All Related Party Transactions are conducted at arms length, unless stated otherwise.

Declarations of interests were made by councilors and or management of the municipality of any relationship with business during the year.

In terms of the MFMA, the municipality may not grant loans to its councilors, management, staff and public with effect from 1 July 2004. Loans, together with conditions thereof, granted prior to this date are disclosed in note 7 to the Annual Financial Statements.

The municipality provided a grant to Alfred Nzo Development Agency (ANDA) which is a wholly owned agency. The following are the details of the Grants provided.

Grants to ANDA	Grant Issued 2016	Grant Issued 2015	Total
Grants Issued	18,459,856	15,000,000	33,459,856
Grants Payable	-	1,344,585	1,344,585
TOTAL	18,459,856	16,344,585	34,804,441

42. Prior period errors

The prior year has been amended to account for prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Aifred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

42. Prior period errors (continued)

Statement of Financial Performance for the year ended 2015	Balance as previously reported	Prior period error	Restated balances
Grant (ANDA)	18,882,159	(2,318,862)	16,563,297
Other Income (ANDA)	849,601	(836,926)	12,675
Interest Received (ANDA)	160,460	27,239	187,699
Government grants & subsidies	819,940,587	32,481	819,973,068
Service charges	18,776,544	(10,040)	18,766,504
Subtotal	858,609,351	(3,106,108)	855,503,243
General Expenses (ANDA)	(15,564,542)	1,179,480	(14,385,062)
Depreciation (ANDA)	(364,605)	(13,864)	(378,469)
Finance Cost (ANDA)	-	(195,999)	(195,999)
Employee Related Cost (ANDA)	(6,098,763)	407,922	(5,690,841)
General expenses	(112,237,862)	3,539,124	(108,698,738)
Bad debts & impairment losses	(13,543,023)	4,653,606	(8,889,417)
Contracted services	(41,099,645)	8,746,803	(32,352,842)
Depreciation & amortisation	(51,429,966)	(5,189,936)	(56,619,902)
Employee related costs	(189,602,206)	3,141,280	(186,460,926)
Finance costs	(1,640,908)	(422,978)	(2,063,886)
Transfers and subsidies	(79,492,487)	(12,215,109)	(91,707,596)
Actuarial gain / (loss)	-	(3,468,649)	(3,468,649)
Remuneration of councillors	(8,625,975)	19,300	(8,606,675)
Repairs & maintenance	(29,110,993)	(5,360,294)	(34,471,287)
Grand total	309,798,376	(8,285,422)	301,512,954

Statement of Financial position as at 30 June 2015	Balances as previously reported	Prior period errors	Restated balance
Intangible Assets (ANDA)	172,823	42,305	215,128
Property Plant and Equipment (ANDA)	811,119	1,740,356	2,551,475
Cash & bank	73,810,298	11,911	73,822,209
Cash and Cash Equivalents (ANDA)	2,965,750	746,428	3,712,178
Receivables from exchange transactions	22,859,913	6,660,867	29,520,780
Receivables from non exchange transactions	2,047,833	(935,658)	1,112,175
Receivables from exchange transactions (ANDA)	33,465	54,025	87,490
Property Plant and Equipment	2,353,670,176	3,344,292	2,357,014,468
Subtotal	2,456,371,377	11,664,526	2,468,035,903
Finance lease obligation - current portion	(9,683,377)	3,021,602	(6,661,775)
Payables from exchange transactions	(167,742,752)	(18,785,358)	(186,528,110)
Provisions	(17,861,618)	13,864,535	(3,997,083)
Payables from non exchange transactions	(644,072)	(1,376,159)	(2,020,231)
Finance lease obligation - Non current portion	(13,730,686)	3,031,189	(10,699,497)
Accumulated Surplus Opening Balance	(504,890,129)	6,341,632	(498,548,497)
Accumulated Surplus (ANDA)	(6,503,411)	1,254,774	(5,248,637)
	1,735,315,332	19,016,741	1,754,332,073

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

42. Prior period errors (continued)

Statement of Financial Performance

Accumulated Surplus

Correction of bonuses incorrectly calculated in 2014/2015	(199,609)
Correction of bonuses incorrectly calculated 2013/2014	(186,160)
Correction of bonuses incorrectly calculated 2014/2015	27,125
Correction of bonuses incorrectly calculated 2013/2014	9,341
correction of managers salaries underpaid 2014/2015	48,401
Correction of managers salaries underpaid in 2013/2014	80,219
Correction of managers overpaid in 2014/2015	(166,361)
Correction of managers overpaid 2014/2015	(308,474)
Reversal of income recognised from billing ANDM properties for 2013/2014	11,484
Correction of bonus provision previously omitted	2,739,229
Clearing unreconciled items in 2014	(11,911)
PPE adjustment	11,287,415
Reversal of accumulated depreciation	(6,989,067)
	6,341,632

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

42. Prior period errors (continued)

Statement of Financial Position

Payables from exchange transactions

Payables from exchange transactions balance reported as at the 30th June 2015 was understated by R18 785 358 due to the following (Trade accruals understated by R49 051 096; Retention accruals overstated by R47 374 628; Reallocation of leave accrual R17 108 890.).

Property Plant and Equipment

Property, plant & equipment balance reported as at 30th June 2015 was understated by R 3 344 292 due to the following (leased motor vehicles overstated by R6 539 529; Land and buildings overstated by R12 881 142; Infrastructure assets understated by R253 237 280; Assets under construction overstated by R 231 374 083; and other PPE understated by R901 766).

Provisions

Provisions balance reported as at the 30 June 2015 was overstated R 13 864 535 due to the following (reallocation of the leave pay accrual of R 17 108 890; bonus provision understated by R3 244 355

Payables from non exchange transactions

Payables from non exchange balance reported as at 30th June 2015 was understated by R1 376 159 due to the following (staff overdeduction of uif from previous years R 251 513; unallocated receipts of R1 124 646 which was previously reported under debtors..

Finance lease obligation - current portion

Finance lease obligation balance reported as at 30th June 2015 was overstated by R 3 021 602 due to incorrect calculations for finance lease..

Finance lease obligation - non current portion

Finance lease obligation - current balance reported as at 30th June 2015 was overstated by R 3 031 189 due to incorrect calculations.

Long Term Receivables

The receivables balances was understated by interest amounts charged on outstanding debtors but not recorded in the system. The overall effect on balance was understatement of debtors by **R680 459**

Receivables from non exchange transaction

Receivables from non exchange transaction balance reported as at 30th June 2015 was overstated by R 935 658 due to the following (staff salaries overpaid by R 835 174 and overdeduction of R 251 537; reallocation of debtors of R 2 022 347.32)

Receivables from exchange transaction

Receivables from exchange transaction balance reported on the 30th June 2015 was understated by R 6 660 867 due to the following (Overstatement of impairment provision of R 4 653 606; and reallocation of debtors of R 2 022 347.32.

Statement of Financial Performance

Service charges

The amount reported as at the 30th June 2015 included an amount of R 10 049 which was for the municipality billing property that belonged to them.

Consumer debtors

An amount of **R100 637** was incorrectly classified under consumer debtors instead of the VAT receivable amount. This resulted in the misstatement of the of the two financial position items.

General expenses

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

42. Prior period errors (continued)

General expenditure reported on the 30th June 2015 was overstated by R 3 539 124 . as a result of accruals that were duplicated.)

Bad debts and impairment

Bad debts and impairment reported as at the 30th June 2015 was overstated by an amount of R 4 653 606 as a result of incorrect calculations.

Contracted services

Contracted services was reported on the 30 June 2015 was overstated by R 8 746 803 as a result of accruals that were duplicated.

Transfers and subsidies

Transfers and subsidies reported on the 30th June 2015 was understated by R 12 215 109 due to the omitted accruals..

Repairs and maintenance

Repairs and maintenance reported on the 30th June 2015 was understated by R 5 360 294 due to the omitted accruals..

43. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor and adherence to limits.

Due to the largely non- trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality approach to managing liquidity is to ensure, as far as possible , that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipalities reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterpart to a financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investments securities. Credit Risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the municipality. The municipality a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterpart are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investments deposits bank and cash balances.

Trade and Other Receivables are amounts owed by consumer and are net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the incur debt for rates, water and sanitation services rendered to them. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of provision for impairment.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries in the geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by 'levying of penalty charges', 'demand for payment', 'restriction services' and, as a last resort, 'handover for collection', whichever procedure is applicable in terms of Councils Credit Control and Debt Collection policy.

The municipality limits this risk exposure in the following ways in, addition to its normal credit control and debt management procedures:

The application of section 118(3) of the municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from previous debtor on the same property;

A new owner is advised, prior to the issue of rates clearance certificate, that any debt remaining from previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount:

Encouraging residents to install water management devices that control flow of water to households, and/or prepaid meters.

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Risk management (continued)

The requirement of a deposit for new service connections, serving as guarantee

The consolidation of rates and service accounts, enabling the disconnecting services for the non payment of any of the individuals debts, in terms of the section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2016	Economic entity - 2015	Controlling entity - 2016	Controlling entity - 2015
Long term investments	39,788,091	89,079,968	39,788,091	89,079,968
Long term receivables	901,431	162,387	901,431	162,387
Receivables from exchange transactions	30,724,053	29,520,780	30,724,053	29,520,780
Receivables from non exchange transactions	1,078,737	1,112,175	1,078,737	1,112,175
Cash and cash equivalents	36,375,313	73,822,209	36,375,313	73,822,209
Vat receivable	6,172,002	34,482,052	6,172,002	34,482,052

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

43. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest risk consist mainly of fixed deposits investments, long term debtors, other debtors, short term investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterpart is managed by setting percentage exposure limits, which are included in the municipality's investment policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the council.

Consumer debtors comprise of a large number of rate payers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges" "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy

Long term receivables and other debtors are individually evaluated annually at Balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Treasury continues to provide funding for the ongoing operations of the Municipality.

44.1 Financial sustainability:

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near future, before taking into account government grants. The key financial risks identified include:

- an inability to pay creditors within due dates
- negative key financial ratios
- net current liability was realised

The actions taken by management to mitigate the impact of these risks include:

- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated
- The Treasury will continue to provide funding to the Municipality in the foreseeable future.
- Management are also investigating alternative funding sources to supplement government funding

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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
45. Unauthorised expenditure				
Unauthorised expenditure	207,008,862	135,755,959	197,272,371	126,672,371
Current year additions	113,638,866	71,252,903	109,224,909	70,600,000
	320,647,728	207,008,862	306,497,280	197,272,371

46. Fruitless and wasteful expenditure

Opening	993,360	547,466	643,083	547,466
Fruitless and wasteful expenditure	16,931,690	445,894	16,300,458	95,617
	17,925,050	993,360	16,943,541	643,083

Incident

Interest Paid to Eskom	52,241	43,082	52,241	43,082
Telkom	36,560	-	36,560	-
Umngeni Water	49	-	49	-
Rheochem	6,816	-	6,816	-
	95,666	43,082	95,666	43,082

47. Irregular expenditure

Opening balance	398,629,051	12,140,434	398,629,051	12,140,434
Add: Irregular Expenditure - current year	192,653,383	386,488,617	192,653,383	386,488,617
	591,282,434	398,629,051	591,282,434	398,629,051

Details of irregular expenditure – current year

Incident 2 Text 2

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA fees)

Current year fee	1,182,599	1,450,070	1,182,599	1,450,070
Amount paid - current year	(1,182,599)	(1,450,070)	(1,182,599)	(1,450,070)
	-	-	-	-

Audit fees

Amount paid - current year	8,539,642	7,335,071	7,024,294	6,065,227
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PAYE and UIF

Current year subscription / fee	29,047,482	28,170,310	29,047,482	28,170,310
Amount paid - current year	(27,048,876)	(28,170,310)	(27,048,876)	(28,170,310)
	1,998,606	-	1,998,606	-

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	28,835,981	27,279,267	28,835,981	27,279,267
Amount paid - current year	(26,283,581)	(27,279,267)	(26,283,581)	(27,279,267)
	2,552,400	-	2,552,400	-

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Social crime prevention	-	64,480	-	64,480
Earthmoving equipment repairs	-	897,103	-	897,103
	-	961,583	-	961,583

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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
49. Suppliers In Service of the State				
Section 45	2016		2015	
Amabongwe Build And Civils	-		2,798,882	
Ana Odz Multi Traders	-		-	
Bunono Besizwe Traders Rural Development	-		-	
Cashbuild	-		-	
Chola -Chola Construction and o	-		6,500	
Coega CorporateTravel	-		-	
Coega Development	-		-	
Media 24	2,736		26,599	
Mt Free Livestock	-		15,000	
Consultancy for Business	-		128,600	
Informer Newspaper	54,000		54,000	
Ngcolosi Consulting Engineers	-		1,119,057	
Dokose Construction	167,228		406,628	
Mamathule Business Enterprise	-		2,250	
Zivele Catering & Catering	18,000		27,650	
Wilbat	13,020		5,600	
Restoration Development	-		29,600	
Tshops Security	1,352,459		1,781,398	
Rhuu Constaruction	25,600		2,394,119	
Fever Publication	15,612		38,988	
Lipota Business Trading	24,000		17,375	
Night Shades Trading	-		12,035	
Lisafika Trading	-		169,135	
Thabile Trading	-		2,184,417	
Sisonke Jiv	-		503,532	
Afrizona Guest House	-		29,995	
Lufizo Trading	-		6,500	
Ali Con Trading	-		5,500	
Thina Civil Trading	-		6,500	
Nkwenkwezi JV	-		334,367	
Nkwenkwezi JV	-		150,592	
Jasayo Trading	68,000		50,000	
Nizas Trading	20,200		70,000	
Diambulo	9,500		3,900	
Mafingwa Trading Enterprises	-		73,200	
L G Construction	1,521,998		3,056,899	
Dohlanga Cateres	31,000		23,245	
Black Curl Trading	-		194,807	
Pure Originals	4,700		8,900	
Nomlala Accountant	9,100		225,975	
Afro Vision	-		21,000	
Akhayoyo	-		16,500	
DXW 092	-		42,008	
Thathulu Trading	-		15,645	
MPASH Trading	21,000		6,352	
Mayekenze	-		13,500	
Hazel Miya	28,675		19,500	
Real World Security	-		10,496	
Dolly Selly	7,000		27,650	
Dispatch Media	155,285		857,177	
NOD MPE	-		7,500	
Lizeka Son	67,995		49,701	
Prestige Conferencing	-		198,747	
Mbixane Twins	-		3,500	
Trveline Leadership	5,000		200,000	
Ccpho Trading Enterprises	-		21,500	
Nomakhisinsi	14,500		10,000	

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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
49. Suppliers In Service of the State (continued)				
Clendosi			-	9,150
Xolweni			-	158,250
Hlubiz Construction			-	118,900
Dumolwakhe Construction			-	109,605
Sikelala			-	31,900
Alfred Nzo Technologies			-	1,339,764
Alfred Nzo Community Radio			-	196,404
Alfred Nzo Community Radio			-	14,000
Izwi le Africa			-	25,000
			3,636,608	19,485,494